

## **FISCAL NOTE**

### **HB 258 - SB 502**

March 9, 2007

**SUMMARY OF BILL:** Requires the Commissioner of Finance and Administration, in consultation with the Commissioner of Revenue, on April 15 of each year, to certify the amount of state surplus revenue collected above budget estimates during the current fiscal year, and to notify the Governor, the State Treasurer, and the Speakers of the Senate and House of Representatives, for the purpose of enacting 0.5% rate reductions to the state sales tax rate on food and food ingredients for the next fiscal year when surplus revenues equal \$50,000,000 or more. Requires the Commissioner of Revenue, by June 15 of each year, to publish the rate of taxation on food and food ingredients that will be effective on July 1.

### **ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact - The fiscal impact of this bill is dependent upon the fiscal years that state surplus revenues exceed \$50.0 million. In fiscal years when state surplus revenues exceed \$50.0 million, the net decrease to state revenues for the following fiscal year is estimated to be \$38,860,000; the decrease to local government revenues is estimated to be \$1,870,000.**

#### Assumptions:

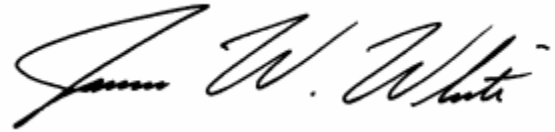
- According to the Department of Revenue, taxable sales of food and food ingredients in Tennessee for FY05-06 were approximately \$7,753,600,000.
- Based upon historical collection patterns, taxable sales of food and food ingredients are estimated to grow by approximately 2.5% per year.
- Taxable sales for FY07-08 are estimated to be approximately \$8,146,126,000.
- For any year state surplus revenues exceed \$50.0 million, a 0.5% rate reduction to the state sales tax rate on food and food ingredients is estimated to decrease state sales tax revenues by \$40,730,000 in the following fiscal year (\$8,146,126,000 X 0.5% rate reduction = \$40,730,630).
- Local governments are apportioned a 4.5925% share of state sales tax revenue. Therefore, local government revenues are estimated to

decrease by \$1,870,000 in the fiscal year following any year state surplus revenues exceed \$50.0 million ( $\$40,730,000 \times 4.5925\% = \$1,870,525$ ).

- The net decrease to state revenues in the fiscal year following any year state surplus revenues exceed \$50.0 million is estimated to be \$38,860,000 ( $\$40,730,000 - \$1,870,000 = \$38,860,000$ ).

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director